

**Board of Trustees  
School & Institutional Trust Lands Administration  
Salt Lake City, Utah  
August 20, 2013**

**Minutes**

Attending:	<b>Board</b>	<b>Staff</b>
	Steve Ostler	Kevin Carter
	David Ure	John Andrews
	Dan Lofgren	Ron Carlson
	Louie Cononelos	Lisa Schneider
	Jim Lekas	Kim Christy
	Tom Bachtell	Deena Loyola
	Mike Mower	Doug Buchi
		Tom Faddies
		LaVonne Garrison
		Will Stokes
		Rick Wilcox
		John Newhall
		Nannette Johnson

**Others in Attendance:**

Tim Donaldson, Utah State Office of Education  
Paula Plant, Utah State Office of Education  
Karen Rupp, Utah State Office of Education  
Aaron Garrett, Utah State Office of Education  
Margaret Bird and family, University of Utah/Utah State  
Jonathan Bates, University of Utah  
Bruce Williams, Utah State Office of Education  
Jennifer Johnson, Chair, Trust Fund Task Force  
Fred Ferguson, Congressman Bishop's Office  
Evan Curtis, Governor's Office  
Betsy Ross, Treasurer's Office  
Sterling Brown, Utah Farm Bureau  
Craig Willenborg, Anadarko  
Tom Marranzion, Anadarko  
Scott Bugosh, Anadarko  
Chris Latimer, Anadarko  
Alex Hohmann, Anadarko  
Tim Kalus, Anadarko

Minutes for the Board of Trustees  
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## **1. Welcome**

Chairman Steve Ostler welcomed those in attendance and conducted the meeting.

## **2. Approval of Board Minutes**

The Board approved the minutes of June 20, 2013.

“I make the motion for approval of the minutes of June 20, 2013.”

Ure/Cononelos                      Unanimously approved

Roll Call:

Steve Ostler – yes	Dave Ure – yes	Mike Mower – yes
Dan Lofgren – yes	Louis Cononelos – yes	
Jim Leka – yes	Tom Bachtell – yes	

## **3. Confirmation of Upcoming Meeting Dates**

September 25-26	Tour & Meeting St. George
October	No Meeting
November 21	Salt Lake City
December	No Meeting

Director Carter reviewed plans for a tour and meeting in St. George on September 25 and 26. The plans will include a reception on the evening of Wednesday, September 25.

Louis Cononelos requested that the tour include an update on U.S. water and ephemeral washes in St. George. Tom Bachtell asked that the September meeting include an update on aquifer ground water reports.

## **4. Consent Calendar**

a. OBA Proposal for Non-competitive Potash Lease in Grand and San Juan Counties  
**Notification**

b. Fee Waiver Report

c. PS 8533, Negotiated Sale - Iron County Fire Station Expansion

d. Sale for Sienna Hills Elementary School Site

**Follow-up after Six Months**

e. Johnson Bench Utah Prairie Dog Mitigation/Negotiated Sale

Dave Ure asked how the negotiated credits are tracked in the accounting process. He wanted to be sure that the Board understood the value of the credits for the trust. Kim and Lisa provided a description of the negotiation structure and the tracking of credits.

f. OBA - Kane Co. w/ Coal Exploration-Lease Option - Alton Coal Development  
OBA, Non-competitive Metalliferous Lease in Iron Co. w/ Cornerstone Ind.  
Oil Shale Tailings Proposed Sale of Surface Estate - ML52336

g. Meadow Valley Development Lease #874 Modification  
Questar Purchase of SR18 on Snow Canyon Parkway

h. OBA - Duchesne Co. Bill Barrett Corp.

i. OBA - Uintah Co. Whiting Oil & Gas Corp.

No issues were identified for the consent calendar so all items may proceed as presented.

## **5. Chair's Report**

### **a. Beneficiary Report: Tim Donaldson & Jennifer Johnson**

Jennifer Johnson, School Trust Investment Task Force Chair, presented the permanent fund objectives created by the task force. She also outlined recommendations previously accepted by the State School Board. Ms. Johnson also reviewed seven recommendations with a preference for a governing structure with an independent board to oversee the permanent school fund. The clear recommendation of the task force was to move away from the status quo and to have a governing board. Ms. Johnson reviewed comparisons for other states' fund management.

Tom Bachtell asked if studies by the task force compared varied investment schemes. Ms. Johnson indicated the task force did not conduct fund management comparisons.

Tim Donaldson, Director of the School Children's Trust, indicated SITLA is managing the land in a manner the beneficiaries support. The professional Board and the staffing with the right people making the right decisions is benefiting the permanent fund. Mr. Donaldson went on to say the focus of the task force was for proper management of risk. He will continue to look at risk in fund management.

The SITLA Board took no action.

### **b. Discussion for Creation of Board Committees**

Chairman Ostler mentioned past discussions of sub-committees to be formed as needed. He asked for a reaction from Board members for a temporary committee to look at exchanges. Tom Bachtell recalled that the Board added exchanges to the legal subcommittee. Mr. Bachtell asked for redistribution of the list of subcommittees to remind board members of assignments. The purpose of subcommittees is for Board expertise to be implemented into planning prior to an agency actions. The list of subcommittee assignments will be distributed to Board members for consideration for who will serve on each subcommittee. The Board will add emphasis to the land exchange committee in light of upcoming potential for more exchanges.

## **6. Director's Report**

Director Carter brought two items to the agenda for presentation. He and John Andrews provided a status report on the Recreation Exchange. Congress passed the legislation for the Recreation Exchange in 2009. The assumption at that time that SITLA would give up more acres than it would receive. The bill included a three part phasing process to identify lands of greater interest and lesser interest. The agency offered 45,000 acres compared to 35,000 acres of federal land. Appraisals were completed in February 2013 with a surprising outcome of higher values for SITLA land. Consequently, more federal acres will be conveyed than SITLA acres.

Tom Bachtell asked about the structure of the appraisals to which Director Carter outlined the joint selection for a professional appraiser with input from the agency and the federal government to identify interests.

John handed out maps illustrating locations of land for exchanges based on appraised values. The agency will generally trade scenic land for oil and gas land. Mr. Andrews mentioned the expense for the appraiser finished within budget with the BLM and SITLA sharing the cost to complete the appraisals.

Tom Bachtell asked about the rationale for considering which land to assign to the three phases. John Andrews indicated the lands were identified by the Congress into phases with phase one being the most desirable for exchange and phase two and three were less desirable. Jim Lekas asked why land in phase three is part of the final pieces for exchange. Mr. Andrews explained that some lands were grouped when initially identified for the phases. Director Carter mentioned SITLA does not have surface ownership, only mineral on the parcel in question.

Dave Ure asked about development potential near Castle Valley. John Andrews indicated that at the time of identifying lands for appraisal the site was identified for development. Since that time, the city council and mayor terminated the development plans. He provided additional responses to inquiries about specific sites before concluding with a report that SITLA will notify BLM that the agency is ready to move forward.

Director Carter pointed out the land appraisals are valid for one year. The exchange process will need to stay on the timeline defined by Mr. Andrews to be complete by February 2014, otherwise, all of the lands will need to be reappraised.

Tom Bachtell referred to the fee waiver report to ask about a waiver of \$1,000 for recreational land exchange. Kim Christy explained how the application fee was waived for the county in preparation to convey the land to the BLM.

Director Carter introduced Fred Ferguson from Congressman Bishop's office to provide an overview of the efforts associated with another proposed land exchange. Mr. Ferguson discussed an awareness of obstacles to overcome to support the pursuit of land exchanges. He concluded to say the counties and environmental community are both ready to work on an exchange.

**a. Budget Review**

Director Carter made the annual budget presentation to the Board. He reviewed the three parts of a budget request. The Board received a printed copy of the budget breakdown. He reviewed why the budget process begins in August, how it moves through the executive and legislative process, and the allocation to a quasi-state agency. Kevin outlined the agency budget requests for fiscal year 2015. The Board voted to approve the budget as presented.

"I make the motion for approval of the budget as presented by Director Carter."

Lofgren/Cononelos                      Unanimously approved

**Roll Call:**

Steve Ostler – yes	Dave Ure – yes	Mike Mower – yes
Dan Lofgren – yes	Louis Cononelos – yes	
Jim Lekas – yes	Tom Bachtell – yes	

**b. Rule Amendment, R850-5-200(4)**

Kevin reviewed the purpose of the rule change reminding the Board they requested modifications at the last meeting. The Board concurred in the rule.

"I make the motion for approval of the rule change as outlined."

## 6. Director's Report (Cont'd)

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Lofgren/Bachtell Unanimously approved

### Roll Call:

Steve Ostler – yes	Dave Ure – yes	Mike Mower – yes
Dan Lofgren – yes	Louis Cononelos – yes	
Jim Lekas – yes	Tom Bachtell – yes	

### c. **Director's Performance Review**

The Board moved this item to the end of the meeting.

### d. **Three Pines Oil & Gas OBA**

The Board went into closed session at 11:45 a.m. to discuss an OBA in the Three Pines and other areas in the Book Cliffs. Tom Bachtell recused himself from participating as a member of the Board and relocated to the audience. Dan Lofgren left the meeting before the presentation from Anadarko began at 11:48 a.m. Board members in attendance included Steve Ostler, Dave Ure, Mike Mower, Louis Cononelos, and Jim Lekas. Staff from SITLA included Director Kevin Carter, Kim Christy, John Andrews, and Lisa Schneider. Beneficiaries included Tim Donaldson and Aaron Garrett. Those presenting from Anadarko were Craig Willenborg, Tom Marranzino, Scott Bugosh, Chris Latimer, Alex Hohmann, and Tim Kalus. Michael Mower left the meeting at 12:08 p.m. for other obligations. Nannette Johnson attended as staff to the Board.

“I make a motion the Board go into closed session for the purpose of strategy sessions to discuss the purchase, exchange, or lease of real property.”

Ure/Cononelos Unanimously approved

### Roll Call:

Steve Ostler – yes	Dave Ure – yes	Mike Mower – yes
Louis Cononelos – yes	Jim Lekas – yes	

The Board met in closed session with Anadarko representatives to discuss the proposed OBA. When the Board returned to open session at 12:20 pm, Jim Lekas made the motion to approve the OBA.

“I make the motion to approve the OBA, as described and instruct staff to finalize and execute the proposal on behalf of the schoolchildren of Utah.”

Lekas/Ure Unanimously approved

### Roll Call:

Steve Ostler – yes	Dave Ure – yes
Louis Cononelos – yes	Jim Lekas – yes

Tom Bachtell – recused himself from participating and voting on the OBA.

**c. Director's Performance Review**

The Board returned to closed session to discuss the Director's performance. Participating in the closed session were Steve Ostler, Dave Ure, Dan Lofgren, Louie Cononelos, Jim Lekas and Tom Bachtell. Director Carter joined the session and then left at 12:23. Nannette Johnson attended as staff to the Board.

"I make a motion that the Board go into closed session to discuss personnel issues."

Ure/Cononelos                      Unanimously approved

Roll Call:

Steve Ostler – yes      Dave Ure – yes

Louis Cononelos – yes

Jim Lekas – yes      Tom Bachtell – yes

Chairman Ostler will meet directly with Director Carter to discuss the outcome of the performance discussion by the Board members in closed session.

The Board returned to open session at 12:28 p.m. and adjourned the meeting.